

IABC 2019

The 6th International
Accounting and Business
Conference

THE 6TH INTERNATIONAL ACCOUNTING & BUSINESS CONFERENCE 2019

*Towards Greater Transparency, Accountability
& Sustainability in Financial Governance*

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Email: iabc@uitm.edu.my

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Email: iabc@uitm.edu.my

TABLE OF CONTENT

No.	Particulars	Page
1.	Foreword – Vice Chancellor, Universiti Teknologi MARA	2
2.	Foreward - Chairman, Indonesia Banking School	3
3.	Foreword – Rector, Universiti Teknologi MARA Cawangan Johor	4
4.	Foreword – Chairperson, International Accounting and Business Conference 2019	5
5.	Foreword – Chairperson, International Accounting and Business Conference 2019	6
6.	Itinerary – Programme Schedule	7
7.	Keynote Speaker	8
8.	Parallel Session Schedule	9
9.	Abstracts	23
10.	Organising committee	101
11.	Collaborators	103
12.	Acknowledgement	104
13.	Sponsor	105

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DEBT MONITORING MECHANISM IN SOE's: EVIDENCE FROM INDONESIAMurdifin Azhar¹, Ira Geraldina²¹Accounting Department, STIE Indonesia Banking School, Jakarta, Indonesia
*murdifinm@gmail.com*²Accounting Department, STIE Indonesia Banking School, Jakarta, Indonesia
*ira.geraldina@ibs.ac.id***Abstract**

This study aims to examine the role of independent boards (commissioners) characteristics in monitoring the impact of debt on value of state-owned enterprises' (SOE's). This study used 125 observations of SOEs that are listed on Indonesia Stock Exchange during the period of 2010-2017 as a final sample. The variable of independent commissioner's characteristics is analyzed by identifying whether they have political connection with political party in Indonesia or not and whether they have adequate professional background. Using panel data analysis, the results show that there is different effect of independent commissioner's characteristics in monitoring the impact of debt on value of SOE's. If independent commissioners do not have political connection, but have adequate professional background, they could conduct debt monitoring effectively, thereby increasing the value of SOE's. On the contrary, If independent commissioners do not have political connection, but also do not have adequate professional background, they could not conduct debt monitoring effectively, thereby decreasing the value of SOEs. The results suggest that the government should consider the professional background of independent commissioners who have political connection with the ruling party.

Keywords: *Capital structure, independent commissioner, state-owned enterprises' (SOEs), debt monitoring and firm's value*